




OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

October 5, 2010

TO: Nancy Floreen, President, County Council

FROM: Isiah Leggett, County Executive 

SUBJECT: Emergency Medical Services Transport Fee - FY11 Savings Plan

This memorandum is to transmit to the Council an FY11 Savings Plan to address the potential loss of revenue in FY11 of over \$14.1 million if the referendum on the County's Emergency Medical Services Transport fee (EMST fee) is successful in blocking implementation of the fee. The expenditure constraints that are described below are necessary to maintain a balanced budget in the current fiscal year and to prepare for a sustainable FY12 budget.

I am proposing that these expenditure savings be made now rather than waiting for later in the fiscal year because the ballot question has already been certified, it will most likely succeed, and the longer we wait to take action in this year the more difficult it will be to find the savings to offset this loss of resources. Please keep in mind that this loss in revenue will actually amount to over \$28 million over FY11 and FY12 and that this is in addition to the projected increased costs in FY12 of \$145 million. The combination of the loss of the EMST fee revenue and the increased costs will create a budgetary gap of over \$173 million for FY12.

With the potential loss of the EMST fee, we are faced with a few clear choices: make significant and painful service reductions in the Fire and Rescue Service and other vital programs; increase taxes; or permanently reduce the County's reserves to dangerously low levels. Increasing taxes would damage the County's competitiveness in attracting and retaining businesses, as well as further burden County households during these difficult economic times. Reducing the County's reserves, especially after the Council recently approved a revision to our reserve policies, would jeopardize the County's AAA bond rating, weaken our credibility in financing markets, and significantly increase the cost of borrowing and constrain the size of our capital budget. I strongly recommend that we not adopt either of these approaches.

The only responsible course of action in the face of the potential loss of the EMST fee is to further reduce the County's spending by the projected amount of fee revenues. I have asked those whose actions have made these service cuts necessary; what expenditure reductions or revenue increases would they suggest to offset the loss of \$14.1 million in continuing and growing revenues each year to the County budget? I previously posed this question to some Councilmembers back in August, but I am still waiting for a response.

These service reductions are necessary to adjust to the realities the County faces. The EMST fee would support the Fire and Rescue Service in saving lives by providing over \$14 million annually in desperately needed resources through reimbursements from the Federal government and insurance companies. No County resident will receive a bill for emergency medical services. The opposition to the EMST fee is not supported by *any* evidence that imposition of such a fee would impair Fire and Rescue Services. In fact, all of the data available to us reinforces the common sense understanding that the fee would enhance the quality of Fire and Rescue Services, at no additional cost to County residents, by providing the equipment, apparatus, training, and staffing levels needed to maintain and improve response time. Without this fee, Fire and Rescue Services are certain to suffer and our residents and businesses will pay the price.

If the entirety of this significant revenue loss in FY11 were offset with expenditure reductions to the Fire and Rescue Service, it would be necessary to eliminate 15 ambulances (110 firefighter positions); two rescue squads (eight firefighter positions); six engines (84 firefighters); and five ladder trucks (52 firefighters). I do not recommend making these reductions because it would have a devastating impact on fire and rescue response time, transport time, and endanger public safety. I am recommending however, that the loss of EMST fee revenue be offset in part with reductions from the Fire and Rescue Service (mainly not in direct service programs) and from other County Government departments, as described on the attached chart.

The recommended reductions do not include any contributions from the Public Schools or other County agencies at this time because it is highly likely that we will have to revisit reductions in the budgets of these agencies in the foreseeable future.

In order to possibly mitigate the impact of these proposed reductions, I have asked the County Attorney's office to review the terms of the settlement agreement reached with the Local Fire and Rescue Departments (LFRD) in 1996 in the *Conway v. Montgomery County* case. In that case the County loaned the LFRDs \$7.6 million (plus the amount necessary to cover the employer's portion of payroll taxes) in order to settle outstanding claims against the LFRDs. The loan was secured by Notes and Deeds of Trust on the LFRD's property and was to be reduced in one-third increments every five years. To date \$5.1 million has been forgiven. There is approximately \$2.5 million outstanding on this loan. The County Attorney is evaluating whether the County has a basis on which to collect on the outstanding balance of this loan in order to offset the impact of the service reductions described in this transmittal.

I also want to stress that the fiscal problem that would be created with the rejection of the EMST fee in the upcoming referendum will not be a one time challenge. The loss of this recurring source of revenue will harm the County's ability to meet the needs of the Fire and Rescue Service in the current fiscal year and for the foreseeable future. It will be considerably more difficult to meet the needs of apparatus replacement, opening new stations, and maintaining adequate staffing levels with a growing and urbanizing County. The loss of these resources will not only severely impact Fire and Rescue Services, it will also have a negative impact on other County services including education and those programs serving our most vulnerable residents because tax-supported resources will be diverted from these uses to address public safety needs.

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I believe strongly that receiving reimbursements from the Federal government and insurance companies is far preferable to taxing our residents or cutting vital County services. Under the current conditions however, I believe the approach I am recommending is difficult but necessary course of action to address this revenue shortfall.

I respectfully request that the Council approve this Savings Plan for the current fiscal year budget.

IL:jfb

Attachments

c: Timothy L. Firestine, Chief Administrative Officer
Dr. Jerry Weast, Superintendent, Montgomery County Public Schools
Francoise Carrier, Chair, Montgomery County Planning Board
Dr. DeRionne P. Pollard, President, Montgomery College
Jerry N. Johnson, General Manager/CEO, Washington Suburban Sanitary Commission
Annie B. Alston, Executive Director, Housing Opportunities Commission
All Department Heads and Office Directors
Administrative Service Coordinators and Functioning Equivalents
Office of Management and Budget Staff

		FY11 Savings Plan in Response to Elimination of EMST Fee				
		Item	Total	Positions	Workyears	Note
	FRS	EMS Fee Implementation Costs	\$1,216,220	2	2.3	
	FRS	LFRD Administrative Staff	\$592,000	15	7.5	Discontinue funding 20 LFRD civilian employees; Offset workload with 5 County administrative positions
	FRS	Volunteer Recruiter	\$40,000	1	0.5	Civilian Position
	FRS	LFRD Travel	\$18,000			
	FRS	LFRD Education, Tuition, and Training	\$33,330			
	FRS	LFRD Office Supplies and Equipment	\$30,670			
	FRS	LFRD Trophies and Awards	\$17,330			
	FRS	LFRD Furniture	\$32,670			
	FRS	LFRD Food/M meal Standby Food	\$133,330			
	FRS	LFRD Misc. Operating Expenses	\$214,590			
	FRS	Nine Ambulances (24/7)	\$3,240,000	81	40.5	All positions listed are firefighters; Service areas affected to be determined; Given the minimal number of firefighter vacancies, layoffs will be required to implement this reduction
	FRS	Two Ambulances (Day Work)	\$320,000	8	4.0	All positions listed are firefighters; Service areas affected to be determined; Given the minimal number of firefighter vacancies, layoffs will be required to implement this reduction
r	FRS	Subtotal Fire and Rescue	\$5,888,140	107	54.8	
	DOT-Transit	Call and Ride	\$1,036,000			Reduce from 2 coupon books per month to one; will cause a reduction of revenue of \$119,581
	CCL	County Council	\$235,390	0	2.0	Added at Reconciliation List - Support for Office of People's Counsel (not funded in FY11) and staffing needs of other Legislative Branch offices
	MCPD	Abolish balance of School Resource Officer (SRO) positions - 9 POIII	\$518,650	9	4.5	Given the minimal number of police officer vacancies, layoffs will be needed to implement this reduction.
	MCPD	Various Operating Expenses	\$571,670	0	0.0	
		Subtotal MCPD	\$1,090,320	9	4.5	

		FY11 Savings Plan in Response to Elimination of EMST Fee				
		Item	Total	Positions	Workyears	Note
	DOT	Eliminate Contractual Residential Resurfacing	\$282,660	0	0.0	
	DOT	Reduce Patching	\$1,000,000	15	7.5	This would reduce the bituminous concrete by \$500,000 and leave \$621,883 in materials for emergency patching and reduce personnel by \$500,000 as a result of less work being done. This would also have an FY12 impact because of reduced personnel costs. This would leave a total of \$7,904,370 left in this program (mostly personnel and motor pool).
	DOT	Reduce Roadway Maintenance	\$500,000	0	0.0	This would result in less patching, shoulder, storm drain, roadside, curb and gutter, sidewalk, and other roadway maintenance. Safety issues can be addressed with the remaining funds but the general appearance of the County roadways would be less appealing as well as a major increases in the out year impact of deferred infrastructure maintenance. The total amount in the Roadway and Related Maintenance Program in FY11 is \$15,645,940.
		Subtotal DOT	\$1,782,660	15	7.5	
	DGS	Reduce Frequency of Cleaning and Grounds Maintenance	\$1,515,680	0	0.0	
	REC	Close 4 of 6 Sports Academies	\$245,090	0	7.3	The Sports Academies programs serve at-risk teenage youth at seven High Schools across the County. The programs are designed to provide a safe, engaging, and supportive environment during the critical hours immediately after school when youth are at the most risk of engaging in risky behavior. In FY' 2010, juvenile crime went down as much as 9% in communities served by Sports Academies. The program also is one of the few that do not require a minimum GPA to participate.

		FY11 Savings Plan in Response to Elimination of EMST Fee				
		Item	Total	Positions	Workyears	Note
	REC	Close 8 of 15 RecExtra Programs	\$93,600	0	2.7	The RecExtra program serves at risk youth at 15 Middle Schools across the County. The program is designed to provide youth with a safe, engaging, and supportive environment during the critical hours immediately after school when youth are at the most risk of engaging in risky behavior. The program also serves to enhance the after school programming at these schools by leveraging resources and paying for an after school activity coordinator.
	REC	Eliminate all Neighborhood Senior Programs	\$114,900	1	3.0	The elimination of The Neighborhood Senior Programs ends service at 11 program locations. Currently over 800 residents are registered. These programs meet 1 -2 times per week and provide programs and activities such as exercise and fitness, health/wellness screening and education, special interest programs and entertainment. In addition they also bring valuable information resources to Seniors through partnerships with HHS, County hospitals, and other service providers on topics as varied as taxes, travel, legal issues, insurance, etc. Participants could access the 4 remaining Senior Centers if transportation is available. Three of the eleven Neighborhood Senior programs also participate in the HHS grant funded Nutrition Program. The HHS grant total for this program is \$64,010.
	REC	Delay opening of Mid County Community Center	\$146,390	1	1.8	Closing the center, scheduled to open January 1st, 2011 will impact a central portion of the County between Sandy Spring/Norwood, Good Hope, Kemp Mill, and Rockville including a minimum of 30,000 residents. The center has been under construction for approximately 20 months. Typically, Centers provide senior day time programs, youth after school programs and evening classes along with community meeting space and social functions in addition to weight & exercise room and gymnasium activities as well as summer camps and playgrounds for all. These services will continue to be provided in other communities. Revenue impact of \$47,000.
		Subtotal REC	\$599,980	2	14.8	
	LIB	Eliminate Gaithersburg Interim Library	\$139,240	0	1.8	
	LIB	Eliminate Sunday Service	\$63,190	0	1.4	
		Subtotal LIB	\$202,430	0	3.1	

		FY11 Savings Plan in Response to Elimination of EMST Fee				
		Item	Total	Positions	Workyears	Note
	HHS	Community Vision Program	\$109,390	0	0.0	This reduction may result in closing of this program or significant reductions to the outreach component and day programming that serves homeless individuals.
	HHS	In Home Services	\$100,000	0	0.0	This reduction will affect eleven current applicants for personal care services. The reduction will require that these assessed clients stay on the waiting list for the personal care services that may help them to remain in their homes in the community.
	HHS	Working Parents Assistance	\$50,000	0	0.0	Twenty children will not have subsidy for 6 months. This may cause a waitlist to go into effect this year for WPA services.
	HHS	Energy Rebate Program - stop providing subsidies as of January	\$239,750	0	0.0	This reduction would eliminate benefits to 4,780 low-income households who need help with their home heating costs. Utility costs have risen steadily over the past several years and this benefit is a key supplement to help households afford their utility bills. Elimination of this benefit will increase the number of households experiencing utility disconnections which can create a safety issue and would ultimately lead to homelessness.
	HHS	Project Deliver	\$100,000	0	0.0	An FY11 reduction of \$100,000 to Project Deliver Program will have no adverse impact since deliveries billed through the Project Deliver Program have decreased
	HHS	Care for Kids	\$80,000	0	0.0	There will be tangential service impacts as the reduction is targeted for administrative services.
	HHS	Maternity Partnership	\$14,910	0	0.0	This reduction will reduce participants by 19
	HHS	System Planning and Mgmt: Residential Rehabilitation Housing Program	\$40,000	0	0.0	The impact of this \$40,000 reduction will be that 10 mental health consumers will not receive residential rehabilitation housing. This could result in these consumers being either homeless or hospitalized.
	HHS	Behavioral Hlth Comm Case Mgt.- Level 1 Contract Services	\$40,000	0	0.0	The impact of this \$40,000 reduction will result in reducing funding available to purchase Level 1 Addiction services; this will result in approximately 44 clients not receiving services.
	HHS	Contract Reductions	\$460,990	0	0.0	Do not implement the restoration of the 2% contract reduction (except for the contracts that have already been adjusted and encumbered)
	HHS	Other Misc. operating	\$500,000	0	0.0	The department will have savings in operating expenses due to the procurement freeze

		FY11 Savings Plan in Response to Elimination of EMST Fee				
		Item	Total	Positions	Workyears	Note
	HHS	Defer Hiring Positions	\$224,080	0	0.0	Various impacts throughout the department
		Subtotal HHS	\$1,959,120	0	0.0	
		Grand Total: All Reductions	\$14,309,720	133	86.7	
		EMST Fee Revenues Assumed in FY11 Budget	\$14,143,140			
		Reduced Call and Ride Revenues	\$119,580			
		Reduced Recreation Revenues	\$47,000			
		Total Revenue loss to Offset	\$14,309,720			